



**Simic C.P.A. & Co.**  
*Certified Public Accountants*  
6485 Ridge Road  
Parma, OH 44129  
Phone: (440) 843-8680  
Fax: (440) 885-8287

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Ukrainian Catholic Eparchy of St. Josaphat :

We have audited the accompanying statement of financial position of the Ukrainian Catholic Eparchy of St. Josaphat as of December 31, 2013, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Ukrainian Catholic Eparchy of St. Josaphat's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ukrainian Catholic Eparchy of St. Josaphat as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

May 12, 2014

  
Michael Simic, CPA

Ukrainian Catholic Eparchy of St. Josaphat  
 5720 State Rd.  
 Parma OH 44134

## STATEMENT OF FINANCIAL POSITION

as of December 31, 2013

	Year 2013	Year 2012
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 177828	\$ 159841
Pre-paid Expenses (Catholic Mutual)	7701	0
Retirement Fund ( <b>Restricted Use</b> ) <sup>1</sup>	1075281	1101519
<b>TOTAL ASSETS</b>	<b>\$ 1260810</b>	<b>\$ 1261360</b>
 <b>LIABILITIES</b>		
<b>Accounts Payable</b>	<b>\$ 10175</b>	<b>\$ 24127</b>
Short-Term Liabilities		
Catholic Mutual	0	204782 <sup>1</sup>
St. Luke Institute	33480	40000
Various Charities	0	8000
<b>Total Short-Term Liabilities</b>	<b>\$ 33480</b>	<b>\$ 252782</b>
Long-Term Liabilities		
Sacerdotal Society	175910	171620
McKees Rocks	50000	50000
Patriarch	0	30000
Retirement Obligations	1075281	1101519
Loan – Selfreliance CU	250000	0
Loan – Carnegie	25000	0
<b>Total Long-Term Liabilities</b>	<b>\$ 1576191</b>	<b>\$ 1353139</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 1619846</b>	<b>\$ 1630048</b>
<b>NET ASSETS</b>	<b>\$ -359036</b>	<b>\$ -368688</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1260810</b>	<b>\$ 1261360</b>

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**STATEMENT OF ACTIVITIES**  
 For the Calendar Year Ending December 31, 2013

	Year 2013	Year 2012
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Catholic Home Missions	\$ 125000	\$ 166250
Donations from Private Donors	32689	94500
Dues and Donations from Affiliated Parishes	580125	459228
Interest Income	1265	418
Sheptytsky Fund	0	16000
Stewardship Campaign	106527	112761
Student Loan Repayment	0	750
<b>Total Income</b>	<b>\$ 845606</b>	<b>\$ 849907</b>
<b>EXPENSES</b>		
Bishop's Residence Expenses	\$ 14916	\$ 5650
Charitable Donations	6100	9096
Clergy Conference, Retreats and Cantors	12901	7036
Dues and Assessments	41152	9054
Food and Gas Allowance	12769	12118
Health Insurance and Expenses	125057	80360
Health Insurance – Retired Priests	22998	12532
Health Insurance/Retirement/Residence – Retired Bishop	30089	30298
Health Insurance/Retirement – Chancery	14275	13756
Insurance – Property	295236	252500
Office Supplies, Postage, Fees, and Equipment	23060	33617
Priest Support	5020	31590
Repairs and Maintenance	1230	9272
Salaries – Chancery	17400	17600
Salaries – PMO	37961	30800
Seminary Books, Supplies and Miscellaneous	34468	39147
Seminary Tuition	37013	19231
Sheptytsky Canonization	0	12957
Stewardship Expenses	71037	69792
Travel and Meetings	12286	16749
Tribunal	200	4265
Utilities and Phone	2980	3196
Widow's Support	8266	8224
Youth Committee	5250	0
Other Expenses – Accrued Loan Interest	4290	0
<b>Total Expenses</b>	<b>\$ 835954</b>	<b>\$ 728840</b>
<b>INCREASE OR DECREASE (-) IN ASSETS</b>	<b>\$ 9652</b>	<b>\$ 121067</b>

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**STATEMENT OF CASH FLOWS**  
For the Calendar Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash flow from operations	\$	9652
Decrease in accounts payable		-13952
Prepaid Expenses		-7701
<b>Net cash used for operating activities</b>		<b>-12001</b>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on short-term debt		-219302
Payments on long-term debt		-30000
New Loans		279290
<b>Net cash provided by financing activities</b>		<b>29988</b>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** **17987**

**CASH AND CASH EQUIVALENTS**  
**BEGINNING OF YEAR** **159841**

**CASH AND CASH EQUIVALENTS**  
**END OF YEAR** **\$ 177828**

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## **Notes to Financial Statements**

Year Ended December 31, 2013

### **1. ORGANIZATION AND PURPOSE**

The Ukrainian Catholic Eparchy of St. Josaphat is a not-for-profit organization devoted to the preservation and teaching of the Ukrainian Catholic faith and culture. A major portion of its funding is from individual contributions and fees collected from member groups.

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. *Basis of Presentation* – The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.
- b. *Cash and Cash Equivalents* – For financial statement purposes, the Ukrainian Catholic Eparchy of St. Josaphat considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- c. *Revenue Recognition* – Contributions are recognized as revenue when they are received or unconditionally pledged.

The Ukrainian Catholic Eparchy of St. Josaphat reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- d. *Income Taxes* – The Ukrainian Catholic Eparchy of St. Josaphat is a not-for-profit organization and is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

- e. *Use of Estimates* – The preparation of financial statement in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- f. *Restricted-Use Retirement Fund* – The Ukrainian Catholic Sacerdotal Society (of the Eparchy of Parma) is the retirement fund of the priests of the Ukrainian Catholic Eparchy of St. Josaphat. Any priest (including bishops) who serve in the Eparchy for a period of ten or more years, and have made monthly payments into the fund, either by the parish(es) they serve or have served or personally, in the case of a leave of absence, is eligible to receive a monthly subsistence payment beginning at the age of seventy. A priest may receive it earlier in the case of a disability. The monies for the payments come from current payments from the parishes, and when needed, from the fund itself. The formula for determining the payments is this: base amount (currently \$ 650) times the years of service divided by 35. The money in the fund can only be used for the payment of retired priests. Currently, there are thirteen priests/bishops receiving a total of \$8,914 per month. The assets of the fund are invested as Certificates of Deposit with Cleveland Selfreliance Credit Union. In calendar year 2013, the interest on the investment was \$8,326.

g. *Long-Term Liabilities – Loan from Sacerdotal Society* - The Sacerdotal Society provided a loan of \$175,000.00 to the Eparchy in 2007. The money was used for a purchase of a new bishop's residence. The balance on the loan is calculated based on 2.50% simple interest, rounded to closest \$5 increment.

<b>Date</b>	<b>Amount Owed</b>	<b>Interest</b>	<b>Payments</b>	<b>Total</b>
2007	175,000.00	4,375.00		179,375.00
2008	179,375.00	4,485.00		183,860.00
2009	183,860.00	4,600.00		188,460.00
2010	188,460.00		7,500.00	
	180,960.00	4,525.00		185,485.00
2011	185,485.00		13,500.00	
	171,985.00	4,300.00		176,285.00
2012	176,285.00		8,850.00	167,435.00
		4,185.00		171,620.00
2013	171,620.00	4,290.00		175,910.00

h. *Exclusion of Parishes and Other Institutions / Real Estate and Furnishings* – These statements exclude the financial position and transactions of the parishes and missions, homes for the elderly, and residences of priests, brothers and sisters in the Eparchy. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the administrative offices of the Eparchy, maintains separate accounts and carries its own services and programs. In the event of the dissolution of one of these entities, the Eparchy may or may not be the beneficiary of remaining net assets. Most of the real property, buildings and furnishings used by parishes and missions in the Eparchy is titled in the name of the Eparchy or the Bishop and his successors in office. For financial accounting, however, the real property, buildings and furnishings at the parishes and missions are not included in these financial statements because most of those assets are not considered to be at the unlimited disposal of the Eparchy and because it would be very difficult to estimate their realistic fair market value.

i. *Adjustment to Short-Term Liabilities* – The liability to Catholic Mutual as of December 31, 2012 was overstated on the 2012 Statement of Financial Position. The value has been corrected on the present Statement.